

LEASE AGREEMENT

This Lease Agreement ("Lease") is being entered into this ____ day of July, 2007, by and between the County of San Luis Obispo, acting on behalf of County Service Area 7 (hereafter the "County"), and Peggy Bean (hereafter "Bean").

WHEREFORE, the County and Bean agree as follows:

1. Description of leased premises. Bean hereby leases the property described in the attached Exhibit A (hereafter, the "Subject Property") to the County pursuant to the terms and conditions set forth in this Agreement.

2. Term of Lease. The lease shall be for an initial 10-year term, commencing upon January 29, 2003, with a County option to extend the term an additional 5 years. The County shall have the option for extending the lease for said additional 5-year term by providing Bean with written notice of the exercise of such option at least 90 days before the expiration of the initial 10-year term.

3. County's Use of Subject Property. During the term of this lease the County shall have the right to use the Subject Property for the following purposes and uses:

A. The County shall have the right to use the Subject Property for the purposes of constructing, installing, operating and maintaining: (a) effluent disposal ponds, piping and appurtenances in conjunction with the County's wastewater system; (b) access ways; and (c) related public uses and purposes. The Subject Property is intended to be used by the County in conjunction with the storage ponds and spray fields owned by the County which currently exist along Oak Shores Drive, and not as a replacement for said ponds and spray field.

Notwithstanding the above, the County reserves the right to utilize the full potential disposal capacity of the Subject Property, and its use of the Subject Property shall not be restricted in any

way simply because the storage ponds and/or spray fields along Oak Shores Drive are not operating at full capacity, or are otherwise inoperable, at certain times.

B. The County may construct fencing at and along the Subject Property.

Bean retains the right of reasonable ingress and egress over the Subject Property for Bean, and her son, Tim Bean, in a manner that does not impede, restrain or conflict with the County's use of the Subject Property. At the request of Bean, the County agrees to install locked gates for the purpose of allowing Bean such ingress and egress across such County fencing so long as the security of the Subject Property is maintained at all times. Bean (and her son, Tim Bean) shall keep such gates locked once Bean (or Tim Bean) enters or exits the Subject Property. Bean shall indemnify and hold the County harmless from any and all claims relating to: (i) any damages to person or property incurred by Bean, or Tim Bean, while on the Subject Property; and (ii) any damages to person or property incurred by any other persons while allowed on the Subject Property by Bean or Tim Bean.

4. Lease Payments. As full consideration for the County's lease of the Subject Property, the County shall pay Bean a lump sum rental payment of \$15,000.00 for the period of January 29, 2003 through January 28, 2008, and an annual rent of \$3,000 (Three Thousand Dollars) thereafter for the remainder of the initial 10-year term . If the County elects to extend the lease for an additional 5 years, the annual rent for the additional 5-year term shall be \$6,500 (Six Thousand Five Hundred Dollars) per year. The annual rental payment shall be paid in advance and shall be due upon the annual anniversary date of this Lease for each year the Lease is in effect. The initial lump sum payment shall be paid within 30 days of the effective date of this Lease. Until further notice by Bean and her attorneys, lease payments shall be made to Ogle, Merzon & Kirschner, Attorney-Client Trust Account, P.O. Box 720, Morro Bay, CA 93443.

5. Damage to Oak Trees.

A. Bean acknowledges that the County's construction and installation of the disposal ponds will require the removal of some oak trees. Bean further acknowledges that other oak trees may be damaged or destroyed from the saturation of soil arising from the operation and maintenance of any new or existing disposal ponds. In the event any oak trees are damaged or destroyed for any of the above reasons, the County's only obligation is to replant the oak trees at a 4:1 ratio pursuant to the environmental documents governing the County's construction, operation and maintenance plans for the Subject Property. Bean shall have no monetary remedy or claim against the County arising from any damage or destruction to any oak trees on, or near, the Subject Property.

B. In order to allow sufficient time for consideration and review of information regarding proposed alternative sites pursuant to Paragraph 9 herein below, the County agrees not to remove any additional oak trees at the Subject Property for the enlargement of existing disposal ponds or the construction of new disposal ponds until one of the following conditions have been satisfied: (i) the County determines that the enlargement of existing ponds and/or the construction of new ponds is necessary to comply with any directions or orders of the Regional Water Quality Control Board ("RWQCB") or to avoid any threatened imposition of fines by the RWQCB; (ii) the County determines the enlargement of existing ponds and/or the construction of new ponds is necessary for public safety reasons in order to prevent waste water flows from exceeding the disposal capacity of the existing ponds; or (iii) construction of residential structures actually begins within Phase 2, 3, 4, 5 or 6 of Tract 2162 after the recording of a final map for said Phase.

6. Regulatory Compliance. The County shall be responsible for all costs associated with the construction, installation, operation, maintenance and termination of use of any disposal

ponds or related facilities on the Subject Property, including any and all fees imposed by regulatory agencies. The County shall also be responsible for obtaining and maintaining all necessary regulatory permits for the construction, operation, maintenance and termination of use of any disposal ponds or other County facilities installed on the Subject Property.

7. Monitoring by County. The County shall, at its own expense, take periodic samples from monitoring wells at mutually agreeable locations situated between the Subject Property and the Kavanaugh Creek, so long as Bean provides the County access to said locations at no additional cost to the County. Results of any analysis of said samples, as well as any similar reports made to regulatory agencies, shall be made available promptly to Bean. Any violation of any Regional Water Quality Control Board ("RWQCB") discharge orders shall be promptly addressed by the County until said violations are resolved to the satisfaction of the RWQCB.

8. County Indemnification of Bean. The County shall indemnify, hold harmless and defend the Bean family, its employees, agents and successors from and against any and all claims and liabilities resulting from the County's use of the Subject Property including, without limitation, claims and liabilities related to hazardous waste, extremely hazardous waste, or hazardous substances (as defined in sections 25117, 25115, and 25316 of the California Health and Safety Code) resulting from the County's use of the Subject Property and any increase in real property taxes in the event of an increase in assessed value due to the construction of the disposal ponds.

9. County Review of Proposals for Alternative Sites. The County shall consider and review any information provided by Bean or other landowners in the Oak Shores vicinity regarding the feasibility of relocating the disposal facilities from the Subject Property to another property in the Oak Shores vicinity. Before the County may accept any such proposal, the

proponent of the proposal must demonstrate to the County's satisfaction that the use of the proposed replacement site is technically and economically feasible. The determination of whether a proposed replacement site is technically and economically feasible shall be subject to the County's sole discretion. The County shall be reimbursed for all staff time and costs (hereafter, collectively "County Costs") incurred by the County relating to its consideration and review of any information relating to a proposed replacement site, and shall be under no obligation to consider or review any such information until all invoices relating to County Costs have been paid. The County shall also have the right to require that a reasonable estimate of said County Costs be paid in advance as a deposit. Unless this Lease has been terminated by expiration or otherwise, the Lease shall terminate once the County has completely transferred its disposal facility operations from the Subject Property to a replacement site, and completed any restoration of the Subject Property required pursuant to paragraph 10, below.

10. Restoration of Subject Property. Upon termination of the County's use of the Subject Property by expiration of this lease or otherwise, the County shall fill in the ponds and restore the physical contours of the surface of the land to the condition it was in prior to construction of the ponds to the extent reasonably practical. Any such termination of use shall not be in violation of any orders or regulations of the RWQCB or the County Health Department. The County shall comply with all laws and regulations relating to the proper handling and disposal of any and all hazardous waste, extremely hazardous waste, or hazardous substances (as defined in sections 25117, 25115, and 25316 of the California Health and Safety Code) on the Subject Property resulting from the County's use of the Subject Property, including the removal of such materials when such removal is required under applicable laws or regulations. If the County's restoration activities extend beyond the term of this Lease, the County shall be allowed to continue to occupy the Subject Property in order to complete said restoration activities at the

last rental rate applicable when the County terminated its use of the Subject Property. The provisions of this paragraph are not applicable when the County continues to use the Subject Property for the use(s) set forth in paragraph 3 pursuant to an order of possession issued in a subsequent eminent domain action.

11. Early Termination of Lease. In the event the County files any subsequent eminent domain actions regarding the Subject Property during the term of this Lease, the County shall have the option of terminating this Lease. The effective date of said termination shall be the filing date of the eminent domain action. In order to exercise this option, the County must provide Bean written notice of said early termination no later than 90 days after the filing of the eminent domain action. If no such written notice is provided by the County, the Lease shall remain in effect. Regardless of whether or not the Lease is terminated, any lease payments made by the County to Bean under this Lease shall constitute an offset which shall be credited towards ~~any compensation awarded Bean in the eminent domain action, with such offset first being~~ **PAB** ~~applied towards~~ any pre-judgment interest awarded Bean in said action.

12. Notice. Except as otherwise specifically provided in this Lease, all notices and demands required to be given under this Lease shall be in writing and delivered in person or certified mail at the addresses listed below:

TO: County of San Luis Obispo

Noel King
Director of Public Works
1050 Monterey Street, Rm. 207
County Government Center
San Luis Obispo, CA 93408
Telephone: (805) 781-5252
Fax: (805) 781-1229

TO: Peggy A. Bean

Peggy A. Bean
c/o Nacimiento Water Co.
2890 Saddleback Way
Bradley, CA 93426

13. No Third Party Beneficiaries. Nothing in the provisions of this Lease is intended to create any duties or obligations to, or rights in, any third parties which are not signatories to this Lease. There are no third party beneficiaries to this Lease.

14. County's Access Rights. The County and its employees, contractors, suppliers and other invitees shall have the non-exclusive right during the term of this Lease to use the private access road described in the attached Exhibit B (hereafter, the "Access Road") which connects the Subject Property to Oak Shores Drive. The parties agree that the Access Road shall constitute a common area under this Lease, and that the Access Road may also be used by Bean, and Bean's employees, contractors, suppliers and other invitees, including users of Bean's campground adjoining the Subject Property. Bean shall be responsible for the maintenance of the Access Road, provided however that the County shall be responsible for any repairs required by any unusual wear and tear of the Access Road arising from County use. The County and its employees, contractors, suppliers and other invitees shall at all times have the free and uninterrupted right of access to the Subject Property by means of the Access Road. Bean shall have the right to alter the location of the Access Road so long as said relocation provides the County with comparable access from the Subject Property to Oak Shores Drive, and the County's use of the Access Road is not interrupted while said comparable alternative access is established.

15. Hazardous Substances Notification. The parties understand that the Subject Property is currently used by the County for sewage effluent disposal. Pursuant to California Health and Safety Code section 25359.7, Bean hereby warrants and represents that Bean has no reason to believe that any hazardous waste, extremely hazardous waste, or hazardous substance (as defined in sections 25117, 25115, and 25316 of the California Health and Safety Code) has come to be located on, beneath or within the Subject Property, except insofar as any sewage

effluent disposed upon the Subject Property by the County may constitute or contain hazardous waste or substances. If Bean ever becomes aware of the presence of any hazardous waste, extremely hazardous waste, or hazardous substance on, beneath or within the Subject Property, Bean shall immediately so notify the County.

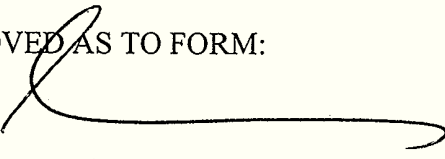
16. Encumbrances. Except for the easements mentioned in Paragraph 4 of Bean's Answer to First Amended Complaint in Eminent Domain filed in the subject litigation (San Luis Obispo County Superior Court No. CV 030089) on July 23, 2004, Bean hereby covenants, represents and warrants that the Subject Property is not subject to any deeds of trust, liens, other leases (either recorded or unrecorded), or other encumbrances (hereafter, collectively "Encumbrances"), and that the leasehold interest granted the County under this Lease is free and clear of all such Encumbrances.

17. Effective Date. The effective date of this Lease shall be the date it is fully executed by all of the parties, or the date judgement is entered in the Litigation (i.e. County v Bean, Case No. CV 030089) pursuant to a stipulation by Bean and the County, whichever is later.

Dated: Aug ~~July~~ 9, 2007


PEGGY A. BEAN

APPROVED AS TO FORM:



Charles P. Ogle
Attorney for Defendant Peggy A. Bean

Dated: ~~July~~ ^{Aug.} 7, 2007

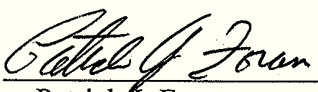
Dated: ~~July~~ 9/26, 2007



COUNTY OF SAN LUIS OBISPO

APPROVED AS TO FORM:

Office of County Counsel

By: 

Patrick J. Foran
Deputy County Counsel

Dated: ~~July~~ 9/26, 2007

DESCRIPTION OF LEASED PROPERTY:

All that real property being portions of Sections 9 and 10, Township 25 South, Range 9 East, Mount Diablo Base and Meridian, County of San Luis Obispo, State of California, as shown in Book 72, Page 4, Records of Survey on file in the County Recorder's Office of said County, more particularly described as follows:

Commencing at a point on the southerly line of said Section 9 which bears South $88^{\circ}43'51''$ East 1027.28 feet from the South one quarter section corner of said Section 9, said point being the True Point of Beginning;

thence North $23^{\circ}12'43''$ West, 349.09 feet;

thence North $5^{\circ}32'48''$ East, 202.86 feet;

thence South $88^{\circ}43'51''$ East, 308.82 feet;

thence North $45^{\circ}22'32''$ East, 425.30 feet to the beginning of a tangent curve concave to the southeast having a radius of 210.00 feet;

thence northeasterly along said curve, 23.09 feet through a central angle of $6^{\circ}17'58''$ to a tangent line;

thence along said line North $51^{\circ}40'29''$ East, 654.44 feet to the beginning of a tangent curve concave to the southeast having a radius of 210.00 feet;

thence northeasterly along said curve, 41.23 feet through a central angle of $11^{\circ}15'00''$ to a tangent line;

thence along said line North $62^{\circ}55'29''$ East 69.63 feet to the beginning of a tangent curve concave to northwest having a radius of 190.00 feet;

thence northeasterly along said curve, 37.31 feet through a central angle of $11^{\circ}15'00''$ to a tangent line;

thence along said line North $51^{\circ}40'29''$ East 146.41 feet to the beginning of a tangent curve concave to the southeast, having a radius of 160.00 feet;

thence northeasterly along said curve, 62.83 feet through a central angle of $22^{\circ}30'00''$ to the beginning of a reverse curve concave to the northwest having a radius of 140.00 feet;

thence northeasterly along said curve, 54.98 feet through a central angle of $22^{\circ}30'00''$ to a tangent line;

thence along said line North $51^{\circ}40'29''$ East, 60.39 feet;

thence North $39^{\circ}12'06''$ East, 217.80' feet to a point on the westerly line of the easement described in Volume 1649 at Page 175 of Official Records of said county;

EXHIBIT A

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thence South $2^{\circ}53'56''$ East, 70.00 feet southerly upon said line to the southwesterly corner of said easement;

thence North $81^{\circ}54'58''$ East upon the southerly line of said easement 148.09 feet to an angle point in said southerly line;

thence South $63^{\circ}49'24''$ West, 306.89 feet;

thence South $51^{\circ}40'29''$ West, 60.39 feet to the beginning of a tangent curve concave to the northwest having a radius of 160.00 feet;

thence southwesterly along said curve, 62.83 feet through a central angle of $22^{\circ}30'00''$ to a reverse curve concave to the southeast having a radius of 140.00 feet;

thence southwesterly along said curve, 54.98 feet through a central angle of $22^{\circ}30'00''$ to a tangent line;

thence South $51^{\circ}40'29''$ West, 146.41 feet to the beginning of a tangent curve concave to the northwest having a radius of 210.00 feet;

thence southwesterly along said curve, 41.23 feet through a central angle of $11^{\circ}15'00''$ to a tangent line;

thence along said line South $62^{\circ}55'29''$ West, 69.63 feet to the beginning of a tangent curve concave to the southeast having a radius of 190.00 feet;

thence southwesterly along said curve, 37.31 feet through a central angle of $11^{\circ}15'00''$ to a tangent line;

thence South $51^{\circ}40'29''$ West, 654.44 feet to the beginning of a tangent curve concave to the southeast, having a radius of 190.00 feet;

thence southwesterly along said curve, 20.89 feet through a central angle of $6^{\circ}17'58''$ to a tangent line;

thence South $45^{\circ}22'32''$ West, 340.48 feet;

thence South $23^{\circ}12'43''$ East, 392.36 feet;

thence South $01^{\circ}17'07''$ West, 209.90 feet to a point on the southerly line of said Section 9;

thence North $88^{\circ}43'51''$ West 415.22 feet along said southerly line to the point of beginning.

Area = 6.7 Acres

EXHIBIT A.
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ACCESS ROAD (from Oak Shores Drive through campground to secondary wastewater disposal ponds)

Owner: Bean

APN: 080-011-017, 080-021-028

All those portions of the southwest quarter of the southwest quarter of Section 10 and the southeast quarter of Section 9, Township 25 South, Range 9 East, Mount Diablo Base and Meridian, County of San Luis Obispo, State of California, being a strip of land 20 feet in width lying 10 feet on each side of the line being more particularly described as follows:

Commencing at Engineer's Station 212+15.00 on the centerline of Oak Shores Drive as shown on Sheet 7 of 14 of the plans for Oak Shores Drive dated April 1970, document number 5360 on file in the Public Works Department of said County, said point bears North 26°27'41" East a distance of 1006.02 feet from the southwest corner of said Section 10 as shown in Book 72 at Page 4 of Records of Survey filed on February 8, 1995 in the County Recorder's Office of said County,

Thence South 38°43'07" West a distance of 96.37 feet to the beginning of a curve concave to the northwest with a radius of 250.00 feet;

Thence southwesterly 109.51 feet along said curve through a central angle of 25°05'49";

Thence South 63°48'56" West a distance of 139.27 feet to the beginning of a curve concave to the northwest with a radius of 200.00 feet;

Thence westerly 95.22 feet along said curve through a central angle of 27°16'39";

Thence North 88°54'25" West a distance of 127.29 feet to the beginning of a curve concave to the southeast with a radius of 100.00 feet;

Thence southwesterly 56.12 feet along said curve through a central angle of 32°09'16";

Thence South 58°56'19" West a distance of 76.13 feet to the beginning of a curve concave to the northwest with a radius of 400.00 feet;

Thence southwesterly 127.49 feet along said curve through a central angle of 18°15'44";

Thence South 77°12'03" West a distance of 115.17 feet to the beginning of a curve concave to the northeast with a radius of 45.00 feet;

Thence northerly 107.55 feet along said curve through a central angle of 136°56'19";

Thence North 34°08'22" East a distance of 75.86 feet;

Thence North 57°27'01" West a distance of 170.55 feet;

Thence South 56°58'09" West a distance of 187.56 feet;

Thence South 48°09'58" West a distance of 404.49 feet;

Thence South 67°45'33" West a distance of 87.37 feet;

Thence South 83°22'13" West a distance of 159.12 feet;

Thence North 89°34'55" West a distance of 52.31 feet;

Thence North 73°12'36" West a distance of 76.06 feet to a point which bears North 74°38'01" West 1411.38 feet from said southwest corner of Said Section 10.

Exhibit B, page 1 of 2

SE 1/4 SEC. 9

Exhibit B, page 2 of 2

